

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4151-03
BILL NO.: HCS for HB 1927
SUBJECT: Department of Natural Resources; Water Pollution Permit Fees
TYPE: Original
DATE: March 8, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Natural Resources Protection Fund	\$2,789,161*	\$4,149,590*	\$4,200,950*
Road Fund	(\$12,110)	(\$12,474)	(\$12,848)
Total Estimated Net Effect on <u>All</u> State Funds	\$2,777,051	\$4,137,116	\$4,188,102

*Continuation of current revenues of approximately \$2.2 million annually due to extension of sunset date. Additional income of approximately \$2 million annually due to increase in fees.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 10 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development - Missouri Housing Development Commission**, the **Department of Health and Platte County** (in response to HB 1927) assume they would not be fiscally impacted by this proposed legislation.

Officials from the **Metropolitan St. Louis Sewer District** (MSD - in response to HB 1927) assume this proposed legislation increases the permit fees that the DNR charges for discharging treated wastewater from treatment facilities into receiving streams of the State. MSD also assume that this proposal changes the methodology used to calculate these fees. Currently, MSD's charge per year is \$90,000 and is based on the amount/volume of flows treated.

Under this proposed legislation, MSD calculates the charges to be over \$300,000 per year. The fee would be based on the number and type of customers (residential, commercials, etc.). The amount MSD could owe may be even higher depending upon the interpretation in the proposed legislation of "dwelling unit" in the context of residential customers who are in apartments.

The MSD also pays the license fees of its treatment plant operators. Under this proposed legislation, these fees also increase.

Officials from the **City of Kansas City** (CKC - in response to HB 1927) noted that their current NPDES fees are based on the design flow of the various wastewater treatment plants. They have three (Blue River, Westside, Birmingham) which fall in the highest (\$3,000 per year) category, two (Todd Creek, Fishing River) which fall in the second (\$2,500 per year) category, one (Rocky Branch) which falls in the third (\$1,500 per year) category and two (KCI, Northland Mobile Home) which fall in the next to the lowest (\$50 per year) category. CKC also pays \$6,000 per year for pretreatment. Therefore, making the total current NPDES fees (including pretreatment) equal \$21,600.

Under this proposed legislation, the CKC estimates their NPDES fees to total \$130,085.50. They noted that this is an absolute minimum estimate. This estimate does not include any of their significant interjurisdictional sewer customers. Also, this estimate assumes that the pretreatment fee will not have to be paid under this proposal.

Officials from the **Little Blue Valley Sewer District** (in response to HB 1927) noted that as a wholesale provider of sewer conveyance and treatment services, the District does not own or operate local sewers or direct bill residential, commercial or industrial customers for services. This proposed legislation would require the District and its customers to create a new financial

ASSUMPTION (continued)

and administrative system to account, track and bill for permit fees. The additional accounting and billing functions would require the District to hire a one-half FTE accountant position at an estimated annual cost of \$20,000 which is exclusive of increased costs created for the 15 customer counties and communities.

The year 2000 connected population of the communities served by the District is 285,000. It is estimated that this represents approximately 86,000 connections of which 5,000 are commercial and 2,000 are business/industrial. The District noted that 14 significant industrial users are served by the District. According to the fee structure described in this proposed legislation, the estimated additional permit fees to be collected for their region of customer communities would be \$150,000 per year. This cost represents a twenty-five fold increase in annual DNR permit fees, not including the pretreatment program fee and a full 2.5% of the District's annual operating budget.

However, the District did note that the total costs will be passed through to the cities.

Officials from the **City of Independence - Water Pollution Control Department** (in response to HB 1927) noted that the cities current permit fees are \$9,000. Under this proposed legislation, their permit fees are estimated at \$34,000. Officials from the city stated they will retain five percent of the fee revenue collected, as noted in the proposal, but the administrative costs involved under this proposal would be greater than the fee revenue retained.

Officials from the **Department of Transportation** (MoDOT - in response to HB 1927) assume they will experience increased fees for permits under the following permit types:

- (1) Sewer connection fees for 145 facilities at \$10 per year for a total of \$1,450.
- (2) Wastewater discharge fees increased (averaged) for 15 rest area lagoon systems for an increased total of \$9,425.
- (3) Ten annual water quality certifications for a total of \$750.
- (4) Seven individual licenses for operation of wastewater treatment lagoons for a total of \$315.
- (5) General land disturbance fee increase from \$150 per 5 years to \$200 annually, for an increase of \$170 per year.

Therefore, the grand total per year due to the increased and new fee amounts is \$12,110.

Officials from the **Department of Natural Resources** (DNR) noted that in FY00 the existing permit fee structure is anticipated to generate approximately \$2.2 million annually, which

ASSUMPTION (continued)

supports the permitting, engineering, inspection, and compliance review efforts of the Department's water pollution control efforts. However, the current cost for FY00 to do the statutory responsibilities of these efforts is approximately \$3.2 million. The funding needed to cover the \$1 million deficit has come from the existing fund balance and general revenue.

The proposed legislation would enable the Department to cover revenue shortfall to maintain the current level of effort and provide about \$1 million in additional resources to support an improved water pollution control effort.

Summary of New or Revised Fee Provisions

Current Fees.				Affected Parties
	FY00 based on FY99 figures	New fees before Permit credit	Net Gain/(Loss)	
Municipal Fees	\$ 546,482	\$ 0	(\$546,482)	Municipal Wastewater Systems
Service Connection	0	1,084,585*	1,084,585	Customer of public sewer system
General Permits	162,150	595,100	432,950	Land disturbance, certain industries
SW Site-Specific	394,615	172,000	(222,615)	Runoff from industrial sites
Small Domestics	8,625	57,500	48,875	Trailer parks, subdivisions
Letters of Approval	0	0	0	Class II CAFO's
Large Domestics	57,900	903,400	845,500	Private sewer systems
Permit Mods	0	23,100	23,100	Anyone modifying a permit
Permit-by-Rule	0	1,900	1,900	
Permit Variances	750	7,500	6,750	Anyone requiring a variance
401 WQ Certs	0	115,125	115,125	Dredging or filling in waterways
Industrial Permits	622,000	622,000	0	Mining and chemical industry
Construction Permits	288,250	431,590	143,340	Const. of water treatment plants
Residential housing dev	0	60,000	60,000	Approval of on-site systems

ASSUMPTION (continued)

Operator Certification	56,545	59,720	3,175	Exams and certificates
Site-specific CAFO	<u>66,500</u>	<u>95,000</u>	<u>28,500</u>	Class IA CAFO's
TOTAL	\$ 2,203,817	\$ 4,228,520	\$ 2,024,703	

***SEWER CONNECTION FEE BREAKDOWN**

1,436,934 residential customers served @ \$.50/ connection =	\$ 718,467
87,418 industrial/commercial customers @ up to \$25/connection =	\$ 423,201
Total Gross Revenues	<u>\$1,141,668</u>
Minus 5% Collection Fees (retained by local government)	\$ (57,083)
Net Revenues	\$1,084,585

The proposed legislation modifies the existing permit fee structure as well as adds new fees. The Department plans on using the increased revenues to cover the core water pollution activities as well as increase the work activities in some of these same efforts. The Department will request these additional resources through the normal budget process.

Because some general permits will still be in effect when the new fee structure becomes effective, DNR is giving the holders of the old permits a credit based upon the remaining portion of the old permits life. The credit shall be equal to \$30 a year until permit expiration, which is the \$150 permit fee prorated over the five-year term of the permit. Should a new general permit be required after the expiration of the old one, the permittee shall pay the new rate in full. The DNR anticipates the following amount given as credits:

FY01 - \$118,290 (3,943 old permits in effect)
FY02 - \$ 78,930 (2,631 old permits in effect)
FY03 - \$ 27,570 (919 old permits in effect)
FY04 - \$ 11,790 (393 old permits in effect)
FY05 - \$ 9,570 (319 old permits in effect)
FY06 - \$ 0 (0 old permits in effect)
TOTAL CREDITS - \$246,150.

FY01, FY02, and FY03 credits are reflected in this fiscal note as a debit to revenues.

The Department sees a need to generally increase inspections on all facilities to verify compliance. The Department would request additional resources to increase field presence to better assure compliance and level the playing field for those that already have a permit.

ASSUMPTION (continued)

Additionally, this increased field presence would provide assistance when needed and allow the department to respond to citizens' complaints in a timely fashion.

The Department would request additional resources to perform other general permitting activities such as permit writers and regional office assistance relating to newly identified facilities. These resources will also monitor and track the Discharge Monitoring Reports (DMRs) sent from the facilities. These reports currently receive only a cursory review.

The Department would also request additional resources to type inspection reports, correspondence, and deposit and reconcile additional fee revenue.

It should be noted, the revision to the water pollution permit fees will impact the Department through its state park facilities due to their need for certain water pollution permits (i.e., construction permits, small domestics, etc.) and the Department's costs related to the sewer service connection fee. If it is determined these costs cannot be managed through the department's existing appropriations, additional resources would be requested.

The proposed legislation would change the reference from executive secretary to director of Department of Natural Resources. The Reorganization Act of 1974 which eliminated the position of executive secretary and transferred those duties to the director of the Department. This provision would not impact the Department.

The proposed legislation would allow the commission to issue permits by rule. Permits-by-rule will be offered to facilities that employ standard and proven treatment systems or which produce a low-volume or short duration, low toxicity wastewater discharge. This option is intended to present a permitting option to facilities that pose no or negligible potential for water pollution. Facilities meeting these criteria may be paying up to \$1,500 for a permit. However, most are likely to be presently covered by a general permit, which costs \$150.

However, since the commission has not established the rules for these permits, the number of facilities that would be eligible for a permit by rule is unknown. Therefore, the Department cannot determine the impact from this provision on projected revenues.

The proposed legislation would exempt the Department from doing a subdivision review where there is an equivalent local program. This provision codifies existing Clean Water Commission rules into statute. Therefore, the Department would not be fiscally impacted by this provision.

The proposed legislation would allow for reduced permit fees if the permit is not issued within

ASSUMPTION (continued)

the time frames provided. The revenues generated would be reduced if the Department was unable to meet these time frames. The Department does not anticipate missing these time frames. Therefore, the Department should not be impacted by this provision.

Oversight assumes that this proposed legislation does not create additional duties; therefore, Oversight has not included in the fiscal impact specifications below the additional staff and related expenses as requested by DNR. If DNR wishes to increase inspection activity and implement other program enhancements utilizing revenues derived from fee increases, requests should be made through the appropriations process.

Oversight has adjusted DNR's income for the Natural Resources Protection Fund assuming fiscal impact from a) increasing fees; and b) removal of the 12/31/00 sunset date on fees. Oversight assumes in reference to income from the new fee structure, four months of the increase in fees and six months at the new fee rate and has used these figures to compute the income for FY 01.

Oversight assumes current duties performed by DNR would continue in the absence of this proposal and has not reflected DNR costs due to the provisions in this bill. Oversight also notes that in the absence of a continuation of affected fees DNR would have to request in excess of \$2 million from the General Revenue Fund in order to continue existing programs at current levels.

Oversight assumes, based on responses received from local governments, that they will incur costs under this proposed legislation. However, the exact cost is undeterminable.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
NATURAL RESOURCES PROTECTION FUND			
<u>Income - Department of Natural Resources</u>			
Continuation of fee collection due to extension of sunset date	\$1,101,908	\$2,203,817	\$2,203,817
<u>Income - Department of Natural Resources</u>			
Increased Fees	<u>\$1,687,253</u>	<u>\$1,945,773</u>	<u>\$1,997,133</u>

L.R. NO. 4151-03
 BILL NO. HCS for HB 1927
 PAGE 8 OF 10
 March 8, 2000

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
Estimated Net Effect on Natural Resources Protection Fund	<u>\$2,789,161*</u>	<u>\$4,149,590</u>	<u>\$4,200,950</u>
*Fee increases prorated, could vary depending on timing of collections			

ROAD FUND

<u>Cost - Department of Transportation</u> Expense and Equipment	<u>(\$12,110)</u>	<u>(\$12,474)</u>	<u>(\$12,848)</u>
---------------------------------------------------------------------	--------------------------	--------------------------	--------------------------

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
-----------------------------------------	---------------------	---------	---------

LOCAL GOVERNMENTS

<u>Income - Locals</u> Collection Fee	\$0	\$57,083	\$57,083
------------------------------------------	-----	----------	----------

<u>Cost - Locals</u> New Sewer Connection Fees	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
---------------------------------------------------	-------------------------	-------------------------	-------------------------

Estimated Net Effect on Local Governments	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
------------------------------------------------------	-------------------------	-------------------------	-------------------------

FISCAL IMPACT - Small Business

DNR noted that any small business that is required to obtain a water pollution permit or that is hooked up to a sewer system will be impacted by the change in the fee structure.

DESCRIPTION

Water pollution permit fees will expire on December 31, 2000. This proposal restructures the fees and extends the sunset date to December 31, 2007.

Under current law, owners of facilities that treat human sewage pay annual operating fees ranging from \$15 to \$3,000, depending on the design flow capacity of the facility. The proposal

DESCRIPTION (continued)

exempts municipalities, sewer districts, and other publicly-owned facilities and restructures the fees to range from \$100 to \$3,500, depending on the design flow capacity of the facility. Additional fees for pretreatment programs are repealed. The annual operating fee for a class IA concentrated animal feeding operation is set at \$5,000.

Beginning October 1, 2000, operators of public sewer systems will collect service connection fees from customers. The annual fees will be \$0.50 for residential customers and will range from \$3 to \$700 for commercial and industrial customers, depending on the size and number of the customer's drinking water service connections. The fees may be collected in monthly, quarterly, or annual increments and will be transferred to the Department of Natural Resources at least annually, less 5% for collection expenses. The Clean Water Commission may adjust the fees by rule.

Effective October 1, 2000, new annual permit fees are established for site-specific industrial stormwater discharges (\$1,000) and new fees for federal water quality certifications (\$75), minor operating permit modifications (\$50), and major operating permit modifications (\$200). Fees will be waived for water quality certifications issued for general and nationwide federal permits. Fees may also be waived for operating permit modifications if the modification was initiated by the department.

Also effective October 1, 2000, general permit fees for facilities with minimal impacts are set at \$200 annually for the discharge of storm water from a land disturbance site, \$50 annually for operation of a chemical fertilizer or pesticide facility, \$150 for the management of an animal feeding operation, and \$150 annually for the discharge of process water or stormwater from other activities.

The proposal also gives the Clean Water Commission the authority to issue permits by rule to facilities that have minimal impacts and are in compliance with applicable rules. The filing fee is \$25. Filing fees for variances are increased from \$25 to \$250. The commission may grant variances to reduce operating fees for facilities that use technology to reduce discharges substantially below requirements.

Further, the proposal establishes new fees for operator's certificates for wastewater and concentrated animal feeding operation facilities. These include fees for initial certificate of competency exams and certificates (\$45), subsequent certificate of competency exams (\$20), certificate renewals (\$45), applications for reciprocity with other certificate programs (\$40), and reciprocated certificates (\$25).

L.R. NO. 4151-03
BILL NO. HCS for HB 1927
PAGE 10 OF 10
March 8, 2000

DESCRIPTION (continued)

Construction permit fees are increased from \$500 to \$750 for small wastewater treatment plants; from \$1,500 to \$2,200 for large wastewater treatment plants; from \$50 to \$75 for sewer extensions less than 1,000 feet; from \$200 to \$300 for sewer extensions of 1,000 feet or more; and from \$200 to \$300 for sewage pumping stations. The commission may issue general construction permits with fees no greater than those for site-specific construction permits. The fee for approvals to use on-site systems for residential housing developments is set at \$300, but the fee is waived for developments in areas where a local authority enforces standards that are at least as stringent as state standards.

The fee for any water pollution permit is waived if there is no change in the status of the permit application for more than 240 days. The fee is reduced by an amount ranging from 25% to 75% if there is no change in application status for various periods between 60 and 240 days.

Finally, the proposal repeals provisions that require unexpended balances in the Natural Resource Protection Fund to revert biennially to general revenue, and removes obsolete references to the executive secretary of the Clean Water Commission.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Missouri Housing Development Commission
Department of Health
Department of Natural Resources
Department of Transportation
Metropolitan St. Louis Sewer District
City of Kansas City
Little Blue Valley Sewer District
Platte County
City of Independence



Jeanne Jarrett, CPA
Director
March 8, 2000

AK:LR:OD:005 (9-94)

L.R. NO. 4151-03
BILL NO. HCS for HB 1927
PAGE 11 OF 10
March 8, 2000

AK:LR:OD:005 (9-94)